



GOVERNMENT OF TELANGANA

**STATEMENT OF FISCAL POLICY TO BE
LAID ON THE TABLE OF THE
TELANGANA STATE LEGISLATURE
IN MARCH, 2022**

*(As required under Section 5 of the Fiscal Responsibility and
Budget Management Act, 2005 as Amended in 2016)*

T. HARISH RAO
Minister for Finance

Form F-1

MACRO-ECONOMIC FRAMEWORK STATEMENT

(Under Rule 3 of FRBM Rules, 2006)

Economic Performance at a Glance

Trends in Select Macro-economic and Fiscal Indicators

REAL SECTOR

S N	Item	Absolute Value (Rs.in crores)		Percentage Change	
		2020-21 (FRE) ¹	2021-22 (AE) ²	2020-21 (FRE)	2021-22 (AE)
I	GSDP				
a)	Constant Prices	6,16,369	6,85,550	-3.5%	11.2%
b)	Current Prices	9,69,656	11,54,860	2.2%	19.1%
	i) Primary	2,01,572	2,21,034	8.8%	9.7%
	ii) Secondary	1,48,824	1,80,861	-0.3%	21.5%
	iii) Tertiary	5,38,757	6,37,476	0.9%	18.3%

¹ FRE: First Revised Estimate (2011-12 Series)

² AE: Advance Estimates (2011-12 Series)

GOVERNMENT FINANCES
(2020-21 Actuals)

S N	Item	Absolute Value (Rs.in crore)	Percentage Change
I	Opening Balance	-1,689.15	1710.65
II	Revenue Receipts	1,00,914.36	-1.59
1	State share in Central Taxes	12,691.62	-20.62
2	Tax Revenue	66,650.37	-1.40
3	Non Tax Revenue	6,101.24	-17.11
4	Grants-in-aid	15,471.13	33.39
III	Capital Receipts	58,316.34	50.62
5	Open Market Loans	43,784.00	17.99
6	Floating Debt(Net)	--	--
7	Loans from the GOI	285.34	37.54
8	Other Loans	683.01	-29.54
9	Deposits Transactions etc.(Net)	11,121.42	2893.49
10	Loans and Advances	58.36	-5.79
11	Other Receipts (Loans showed in GOI Books GST Compensation)	2380.00	--
12	Contingency Fund(Net)	4.21	-299.53
IV	Total Receipts(II + III)	1,59,230.70	12.72
V	Revenue Expenditure	1,23,212.38	13.25
13	Of which Interest Payments	16,841.36	14.68
VI	Capital Expenditure	15,922.11	-5.56
VII	Loans and Advances	10,868.27	24.93
VIII	Capital Disbursements (14 to 17)	7,544.46	-11.25
14	Public Debt Repayment	5,001.61	-21.99
15	Loans Form GOI	489.70	11.45
16	Other Loans	2,045.37	24.62
17	Interstate Settlement	7.78	-1.64
IX	Total Expenditure	1,57,547.22	10.28
X	Overall Transactions(IV – IX)	1,683.48	-205.49
XI	Closing Balance(I + X)	-5.67	-99.66
XII	Revenue Deficit(II – V)	-22,298.02	256.54
XIII	Fiscal Deficit(XII - VI - VII + 10 - 17)	49,037.82	54.45
XIV	Primary Deficit(XIII - 13)	32,196.46	88.67

GOVERNMENT FINANCES
(R.E. 2021-22)

S N	Item	Absolute Value (Rs.in crore)	Percentage Change
I	Opening Balance	-5.67	-99.66
II	Revenue Receipts	1,56,126.94	32.58
1	State share in Central Taxes	13,990.13	19.26
2	Tax Revenue	92,910.00	21.94
3	Non Tax Revenue	20,557.35	6.48
4	Grants-in-aid	28,669.46	172.38
III	Capital Receipts	53,750.00	9.95
5	Open Market Loans	47,500.00	8.49
6	Floating Debt(Net)	--	--
7	Loans from the GOI	200.00	-50.00
8	Other Loans	1,500.00	130.77
9	Deposits Transactions etc.(Net)	4,500.00	12.50
10	Loans and Advances	50.00	0.00
11	Other Receipts	--	--
12	Contingency Fund(Net)	--	--
IV	Total Receipts(II + III)	2,09,876.94	25.94
V	Revenue Expenditure	1,51,731.94	13.25
13	Of which Interest Payments	17,584.38	20.31
VI	Capital Expenditure	25,954.92	145.76
VII	Loans and Advances	23,256.33	48.49
VIII	Capital Disbursements (14 to 17)	9,039.42	40.77
14	Public Debt Repayment	6,460.40	37.41
15	Loans Form GOI	438.98	16.14
16	Other Loans	2,140.04	59.51
17	Interstate Settlement	--	--
IX	Total Expenditure	2,09,982.61	26.02
X	Overall Transactions(IV – IX)	-105.67	-917.88
XI	Closing Balance(I + X)	-111.34	-93.36
XII	Revenue Deficit(II – V)	4,395.00	-127.09
XIII	Fiscal Deficit(XII - VI - VII + 10)	44,766.25	5.58
XIV	Primary Deficit(XIII - 13)	27,181.87	-2.17

MACROECONOMIC FRAMEWORK STATEMENT

Under sections 5 and 6 of the Fiscal Responsibility and Budget Management (FRBM) Act 2005, as amended from time to time, the State Government is required to present the Macroeconomic Framework Statement containing an overview of the State economy along with an analysis of growth and the sectoral composition of Gross State Domestic Product (GSDP) and an assessment of State Government finances and future prospects to the State Legislature.

Overview of the Economy:

2. After the formation of the new State, the growth picked up momentum and there is a perceptible increase in the growth from year to year. The growth of GSDP at constant prices since 2015-16 has been consistently higher than the national GDP growth and the gap has been widening. Though the Covid pandemic adversely impacted the economic activity all over the country and resulted in the contraction of GDP in 2021-22, the contraction in GSDP growth was lower as compared with the national GDP. While the national GDP contracted by 6.6%, the contraction of GSDP growth in Telangana was modest at 3.5%. But in the current year (2021-22), Telangana economy recovered very fast and registered a double digit growth of 11.2% in contrast to 8.9% growth in national GDP. The fact that Telangana withstood the havoc of the pandemic and recovered in the very next year is a testimony to the strong foundations laid since the formation of the state for sustain and resilient economy.

3. Trends in the growth of GSDP in Telangana at constant prices are presented in Table-1.

Table-1: GSDP of Telangana State at Constant Prices (2011-12)

Year	GSDP (Rs. in crore)	Growth over previous year (%)
2012-13	3,70,113	3.0
2013-14	3,89,957	5.4
2014-15	4,16,332	6.8
2015-16	4,64,542	11.6
2016-17	5,07,946	9.3
2017-18	5,57,410	9.7
2018-19 (TRE)	6,08,401	9.1
2019-20 (SRE)	6,38,682	5.0
2020-21 (FRE)	6,16,369	-3.5
2021-22 (AE)	6,85,550	11.2

4. At current prices, GSDP in Telangana is estimated to grow at 19.1 per cent in 2021-22 as per the advance estimates as compared with the Covid induced modest growth of 2.2 percent in 2020-21. The recovery in the growth of Telangana Economy is very significant. Trends in the growth of GSDP at current prices in Telangana are presented below (Table-2)

Table-2: GSDP of Telangana State at Current Prices

Year	GSDP (Rs. in crore)	Growth over previous year (%)
2012-13	4,01,594	11.7
2013-14	4,51,580	12.4
2014-15	5,05,849	12.0
2015-16	5,77,902	14.2
2016-17	6,58,325	13.9
2017-18	7,50,050	13.9
2018-19 (TRE)	8,57,427	14.3
2019-20 (SRE)	9,48,356	10.6
2020-21 (FRE)	9,69,656	2.2
2021-22 (AE)	11,54,860	19.1

Growth Rates: Sector-wise (At constant prices)

5. The growth of the secondary sector consisting of manufacturing, electricity, water supply and other utilities and construction turned around after the formation of the State following the significant improvement in the power situation and a very investor friendly industrial policy unveiled by the Government. The sector achieved an impressive growth of 21.4 per cent in 2015-16 at constant prices. There has been a slowdown in the growth because of the adverse impact of Covid-19 pandemic in 2020-21. However the sector recovered very fast and registered a double digit growth of 12.2 percent in 2021-22.

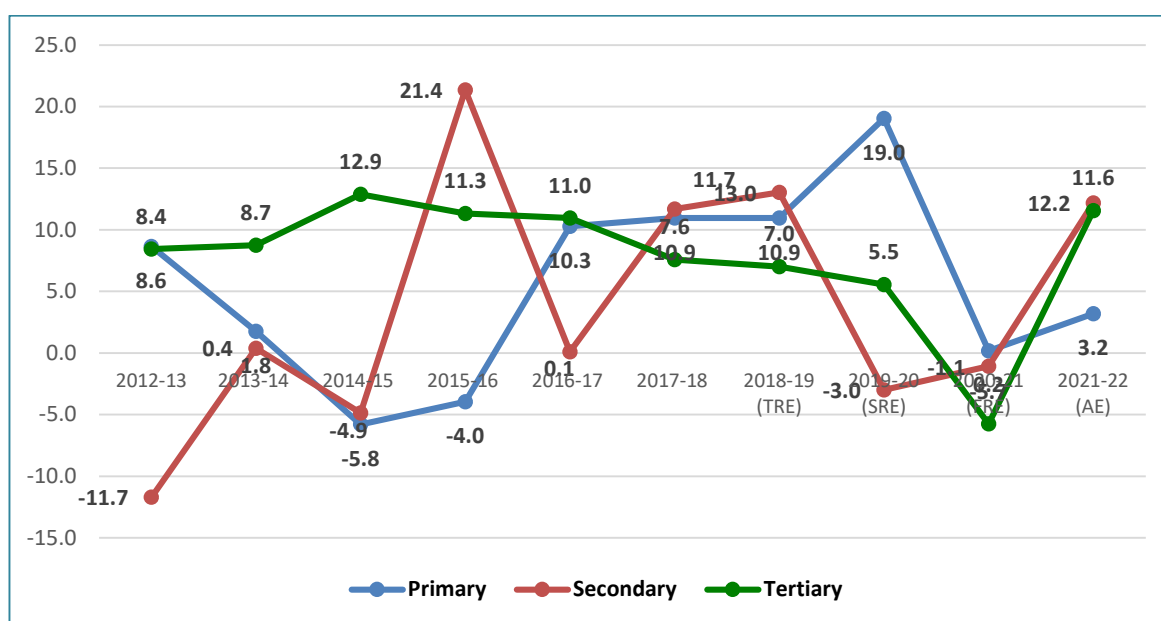
6. Within the secondary sector, the growth of the manufacturing sector after registering an impressive growth of 16.5 percent in 2018-19 contracted by 3.2 percent in 2020-21. However the sector recovered very fast and recorded a growth of 15.4 percent in 2021-22.

7. The growth of the primary sector consisting of agriculture and allied sectors and mining and quarrying has also picked up momentum because of the augmentation of irrigation facilities, uninterrupted power supply, rejuvenation of tanks, investment support scheme of 'Rythu Bhandu' and a number of other policy initiatives aimed at reviving the rural economy. These initiatives include distribution of sheep, distribution of fish seedlings, incentives to the dairy farmers, etc. Within the primary sector, the growth of the crop sector is estimated to contract because of the Government of India's decision not to purchase boiled rice during the Yasangi season. With the development of water resources, fishing and aqua culture sub sector has been recording a higher growth. In the year 2021-22 the subsector is estimated to grow at 15.0 percent.

8. The services (tertiary) sector is an important sector contributing over 60 per cent to the GSDP of the State. The growth of this sector has been impressive

since the formation of the State. With the exception of a contraction in the growth by 3.5 percent in 2020-21 because of Covid, in all the years since the formation of the state the growth of the sector has been impressive. In 2021-22, the services sector is estimated to grow at 11.6 percent. Trends in the growth rates of broad sectors, namely, primary, secondary and tertiary sectors are presented in Figure-1.

Figure-1: Trends in Sector-wise Growth Rates in Telangana at Constant Prices



Sectoral Composition of Gross Value Added by Economic Activity

9. At current prices, the shares of primary, secondary and tertiary sectors in total Gross Value Added (GVA) in the State in 2021-22 are estimated at 21.3 per cent, 17.4 per cent and 61.3 per cent, respectively. While the share of the secondary sector in GVA has declined from 20.3 per cent in 2015-16 to 17.4 per cent in 2021-22, the corresponding share of the primary sector improved from 17.50 per cent to 21.3 per cent. Because of impact of Covid, the contribution of the services sector marginally declined from 62.2 per cent to 61.3 per cent in the same period.

Growth Rates of Telangana and All-India

10. The growth rates of the Telangana economy have consistently been higher than the All-India growth rates since 2015-16. While the All India growth at constant prices is estimated at 8.9 percent in 2021-22, Telangana GSDP is estimated to grow at 11.2 per cent. Thus, the growth of Telangana GSDP is higher than the National GDP growth by 2.3 per cent.

Per capita Income

11. While the GSDP reflects the total size of economy, the per capita income is a broad measure of economic development and the well-being of the people. In 2014-15, the first year of the formation of the state, the per capita income of Telangana was Rs.1,24,104. This was higher than the national per capita income of Rs.86,647 (1.43 times). By 2021-22, the per capita income of Telangana increased to Rs.2,78,833 as compared with the national per capita income of Rs.1,49,848. The per capita income of Telangana is higher than the national income by Rs.1,28,985 (1.86 times). Trends in the per capita income of Telangana and All-India at current prices are presented below (Table-3).

Table-3: Per capita Income at Current Prices

Year	Telangana		All-India	
	Per capita (Rs)	Growth (%)	Per capita (Rs)	Growth (%)
2012-13	1,01,007	10.8	70,983	11.9
2013-14	1,12,162	11.0	79,118	11.5
2014-15	1,24,104	10.6	86,647	9.5
2015-16	1,40,840	13.5	94,797	9.4
2016-17	1,59,395	13.2	1,04,880	10.6
2017-18	1,79,358	12.5	1,15,224	9.9
2018-19 (TRE)	2,09,848	17.0	1,25,883	9.3
2019-20 (SRE)	2,30,955	10.1	1,32,115	5.0
2020-21 (FRE)	2,34,751	1.6	1,26,855	-4.0
2021-22 (AE)	2,78,833	18.8	1,49,848	18.1

Note: The figures of all India per capita income for the years 2019-20, 2020-21 and 2021-22 are final, first revised and second advance estimates, respectively.

Form F-2
(See Rule 4 of FRBM Rules, 2006)

MEDIUM TERM FISCAL POLICY STATEMENT

A. Fiscal Indicators - Rolling Targets

(in percentages)

			Previous Year (Y-2) (Actual) 2020-21	Current Year (Y-1) 2021-22 (Budget Estimate)	Current Year (Y-1) 2021-22 (Revised Estimate)	Ensuing Year (Y) 2022-23 (Budget Estimate)	Targets for next two years	
							2023-24	2024-25
1	Revenue Deficit / Surplus as percentage of Total Revenue Receipts (TRR)		-22.10	3.83	2.82	1.95		
2	Fiscal Deficit as percentage of GSDP	Target	5.00	4.00	4.00	4.00	3.50	3.50
		Achmt.	5.06	3.99	3.88	4.00		
3	Total outstanding Liabilities as percentage of GSDP	Target	25.00	25.00	25.00	25.00	25.00	25.00
		Achmt.	25.17	25.14	24.69	25.29		
4	[Any additional target(s)]		-	-	-	-	-	-

FORM - F 3

FISCAL POLICY STRATEGY STATEMENT

(Under Rule 6 of FRBM Rules 2006)

The State's Fiscal Policy Strategy Statement set out below is mandated to be laid before the Legislature under sections 5 and 6 of the Fiscal Responsibility and Budget Management (FRBM) Act, 2005. The Strategy Statement shall include a policy overview and the outlook for the ensuing year on taxation, expenditure, borrowings, Sinking and the Contingency Fund.

2. As mandated in the above Act, the State Government is required to eliminate revenue deficit. At the same time, fiscal deficit had to be brought down to 3 percent of GSDP. Because of the adverse impact of the Covid-19, the State finances faced a triple whammy. There was a substantial reduction in the State's own revenues, transfers from the Centre while the expenditure commitments have increased in 2020-21.

3. With the intensity of pandemic receding, there was a revival in economic activity in 2021-22. As per the Revised Estimates, the own revenues of the State are likely to be marginally lower than the Budget Estimates by about 8 per cent. Tax devolution is expected to be the same as the BE. Grants-in-aid from the Centre as per RE are likely to be lower than the BE by 25.8 per cent. The fiscal deficit was budgeted at 3.99 per cent of GSDP in the 2021-22 BE. As per the RE, the fiscal deficit is estimated at 3.88 percent of GSDP. Telangana despite being a new State with huge expenditure commitments and a number of new initiatives, was able to maintain surplus on the Revenue account continuously from 2014-15 to 2018-19. The account slipped into a deficit in 2019-20.

4. In 2021-22, total outstanding liabilities of the State were budgeted yet 25.14 per cent of GSDP. The revised estimates indicate that the outstanding liabilities will be contained at 24.69 per cent of GSDP, which is within the FRBM limit.

5. Thus, the state has been able to maintain the fiscal position of the State at sustainable levels despite the knock on effects of Covid-19 and reduction of the State share in tax devolution following the recommendations of the Fifteenth Finance Commission.

Fiscal Strategy

6. The fiscal policy for the year 2022-23 is intended to sustain the revival of the economy and put the economy on a higher growth trajectory. It is proposed to maintain the capital expenditure at a higher level as in 2021-22 despite higher allocation of Rs.17,700 crore on Dalit Bandhu scheme. This is proposed to be achieved by efficient management of revenue collections and optimum utilisation of available resources and expenditure rationalisation.

Tax Revenue

7. Tax revenue is the predominant source of resource to the State. Therefore, the State Government's strategy is to improve tax administration, plug leakages and to expand the tax base to fully exploit the tax potential available under various heads without imposing any burden on the common man. Efforts will be made to encourage digital transactions and thereby improve tax compliance. Expecting that the growth momentum will pick up further, own tax revenue in 2022-23 is budgeted at Rs.1,08,212 crore as compared with the RE of Rs.92,910 crore in 2021-22. This is based on the fact that there was an increase in the buoyancy of tax revenue from GST and Stamps & Registration. With the rationalization of market values and stamp duties, which were last revised in 2013, there has been a significant improvement in revenue collections from stamps and registrations. An Economic intelligence unit was established in the Commercial Taxes Department which has resulted in curbing evasion of taxes and improving the tax base.

Non-Tax Revenue

8. Efforts are being made to improve the non-tax revenue of the State. One of the major sources of non-tax revenues to the State is royalty and seigniorage fees from mines and minerals. The possibilities of rationalising other non-tax revenues

of the State will also be explored. The sand mining policy has been rationalized to plug all the loopholes and thereby improve the non-tax revenue collections. These policies have resulted in improving the non-tax revenues of the State. Because of intensive efforts, the State Government has been able to gain ownership rights on illegally occupied prime Government lands worth thousands of crores. It is proposed to monetize some of these lands in a phased manner to shore up the non-tax revenues in the state during 2022-23 and thus make adequate resources available for development and welfare.

9. The State's non-tax revenue is estimated at Rs.25,422 crore in 2022-23, which includes Rs.15,500 crore from the sale of lands.

Expenditure Strategy:

10. As part of the rationalisation of expenditure, the Government had completed a thorough review of all ongoing schemes and rationalised them to meet the priorities of the new State. Apart from terminating some of the schemes which have outlived their utility, schemes with same objectives have been merged. The scope for further rationalisation is being explored. The Government is proposing to review all ongoing schemes including Centrally Sponsored Schemes and retain only those schemes which are found to be useful to the State.

11. The State Government has reorganised the departments of the Government with a view to achieving better coordination and synergies. Scope for further rationalization will also be explored.

12. Productivity of public expenditure is proposed to be enhanced through better expenditure management, elimination of discretion and strengthening of monitoring and evaluation.

13. The strategy of the Government's expenditure management is to redirect expenditure away from less productive schemes towards investments which will result in lasting benefits to people. The Government is according priority to the completion of ongoing works before taking up any new works.

Debt Management

14. Effective debt management is vital for fiscal health. A pro-active approach to debt management is essential for better budget formulation that is consistent with the medium term fiscal policy. The main objective of debt management in the State is to ensure that the financing of the budget and refinancing of the debt is done at the lowest possible cost in medium to long term, all within prudent limits of risk. In pursuance of this objective, the State Government has been raising debts from the market with a tenor of even 40 years, within the borrowing limits set under the FRBM Act. As per the analysis made by Reserve Bank of India, Telangana could borrow at the lowest rates as compared with other major States in 2018-19. About 49 per cent of the outstanding state government securities would be maturing only after 2036 as per the RBI study on State Finances. Mobilisation of resources through extra-budgetary sources are being explored to supplement the resources of the State for investments in capital assets. Thus, the strategy is to explore raising borrowings for productive investments within prudent limits.

15. All the borrowings of the Government are being utilized for capital expenditure. This will result in income generating assets and more income to people. Through higher expenditure by the people, it is expected that the revenues of the State will improve significantly. With this, the Government is unlikely to face any problems in servicing the debts.

Guarantees Assessment:

16. The FRBM Act stipulates to limit the amount of annual incremental risk weighted guarantees to 200% of the total revenue receipts (TRR) in the year preceding the current year. The State Government guarantees are within these limits.

FORM D-1

[See Rule 6 of FRBM Rules, 2006]

SELECT FISCAL INDICATORS

SN	Item	2020-21 (Actuals)	2021-22 (RE)
1	Gross Fiscal Deficit as Percentage of GSDP	5.06	3.88
2	Revenue Deficit/Surplus as Percentage of Gross Fiscal Deficit	-45.47	9.82
3	Revenue Deficit/Surplus as Percentage of GSDP	-2.30	0.38
4	Revenue Deficit/Surplus as Percentage of TRR	-22.10	2.82
5	Total Liabilities -GSDP Ratio (%)	25.17	24.69
6	Total Liabilities - Total Revenue Receipts (%)	241.81	182.62
7	Total Liabilities –State’s Own Revenue Receipts (%)	335.41	251.28
8	State’s Own Revenue Receipts to Revenue Expenditure (%)	59.05	74.78
9	Capital Outlay as Percentage of Gross Fiscal Deficit	32.47	57.98
10	Interest Payment as Percentage of Revenue Receipts	16.69	11.26
11	Salary Expenditure as Percentage of Revenue Receipts	24.88	16.96
12	Pension Expenditure as Percentage of Revenue Receipts	13.48	6.94
13	Gross Transfers from the Centre as Percentage of Aggregate Disbursements (TRE)	12.56	18.89

FORM D-2

[See Rule 6 of FRBM Rules, 2006]

Components of State Government Liabilities

(Rs.in crore)

Category	Raised during the Fiscal Year		Repayment/Redemption during the fiscal year		Outstanding amount (End-March)	
	2020-21 (Actuals)	2021-22 (RE)	2020-21 (Actuals)	2021-22 (RE)	2020-21 (Actuals)	2021-22 (RE)
Market Borrowings	43,784.00	47,500.00	5,001.60	6,460.40	2,03,199.28	2,44,238.88
Loans from Centre	285.34	200.00	489.70	438.98	7,794.57	7,555.59
Special Securities issued to the NSSF	-	-	827.30	827.30	7,205.07	6,377.77
Borrowings from Financial Institutions/ Banks	683.01	1,500.00	1,218.08	1,312.74	13,974.48	14,161.74
Provident Funds, Insurance Funds etc.	2,635.61	3,141.95	1,691.03	2,201.25	11,845.16	12,785.86
Total	47,387.97	52,341.95	9,227.72	11,240.67	2,44,018.56	2,85,119.84

FORM D-3

[See Rule 6 of FRBM Rules, 2006]

Consolidated Sinking Fund (CSF)

(Rs.in Crores)

Outstanding balance in CSF as on 31.3.2020	Additions to CSF during the 2020-21	Withdrawals from CSF during the 2021-22	Outstanding balance in CSF at the end of the 2020-21/ beginning of 2021-22	(Col.4)/ Outstanding Stock of SLR Borrowings (%)	Additions to CSF during the 2021-22 (RE)	Withdrawal- also from CSF during the 2020-21	Outstanding at the end of 2019-20/ beginning of 2021-22	(8)/ Stock of SLR Borrowings (%)
1	2	3	4	5	6	7	8	9
5500.00	420.00	--	5920.00	--	330	--	6250.00	--

Source: RBI Bulletin

FORM D-5

[See Rule 6 of FRBM Rules, 2006]

Outstanding Risk - weighted Guarantees

(Rs.in crores)

Default Probability	Risk weights	Amount outstanding as in the Previous Year and the Current Year		Risk weighted outstanding Guarantee in the Previous Year and the Current Year	
		2020-21	2021-22	2020-21	2021-22
Direct Liabilities	100%	--	--	--	--
High Risk	75%	--	--	--	--
Medium Risk	50%	40,390.29	41,729.59	20,195.15	20,864.80
Low Risk	25%	45,675.20	76,549.89	11,418.80	19,137.47
Very Low Risk	5%	18,941.22	17,003.03	947.06	850.15
Total Outstanding		1,05,006.71	1,35,282.51	32,561.01	40,852.42

FORM D-6

[See Rule 6 of FRBM Rules, 2006]

Guarantee Redemption Fund (GRF)

(Rs.in crores)

Outstanding invoked guarantees at the end of the 2020-21	Outstanding amount in GRF as on 31.3.2021	Amount of Guarantees (Likely to be Invoked during the 2021-22)	Addition to GRF during the 2021-22	Withdrawal from the GRF during the 2021-22	Outstanding amount in GRF at the end of the 2021-22
(1)	(2)	(3)	(4)	(5)	(6)
1198.00	1292.00	--	58.00	--	1350.00

Source: RBI Bulletin.